

## Message Text

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ACTION TRSE-00

INFO OCT-01 ISO-00 EUR-12 EA-07 IO-13 EB-07 AID-05 ABF-01

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 3765

INFO AMEMBASSY BONN

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DEPARTMENT PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: EFIN, AORG, IMF, IBRD, UK

SUBJECT: WORLD BANK/IMF PROPOSALS TO INCREASE EXECUTIVE  
DIRECTORS AND ALTERNATES SALARIES

REF: STATE 172490

1. FINANCIAL ATTACHE FORWARDED SECRETARY SIMON'S  
LETTERS TO CHANCELLOR HEALEY AND GOVERNOR OF BANK OF ENG-  
LAND, GORDON RICHARDSON AND FOLLOWED UP IN CONVERSATIONS  
WITH SIR DEREK MITCHELL, SECOND PERMANENT SECRETARY, H.M.  
TREASURY AND KIT MCMAHON, DIRECTOR, BANK OF ENGLAND.  
MITCHELL'S AND MCMAHON'S BASIC RESPONSES WERE IDENTICAL,  
IE, THAT THE UK WOULD VOTE AGAINST THE PROPOSED SALARY  
INCREASE (WHICH MITCHELL SAID WAS 7.8 PERCENT). HOWEVER  
THEY EXPECT TO SUPPORT A COUNTER PROPOSAL FOR A 5.8 PER-  
CENT SALARY ADJUSTMENT, EQUIVALENT TO THAT GIVEN TO STAFF.

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2. DRING ON EXPLANATORY PARAGRAPHS OF REFTTEL, FINANCIAL

ATTACHE NOTED THAT THE US CONSIDERS THE LEVEL OF ED REMUNERATION MORE THAN ADEQUATE FOR THEIR DUTIES, NOTING US BELIEF THAT NO COMPENSATION INCREASE IS JUSTIFIED. IN REPLY TO A QUESTION FROM MITCHELL, FINANCIAL ATTACHE SAID HE BELIEVED U.S. WOULD PROBABLY EVENTUALLY ACCEPT A SMALL INCREASE ALTHOUGH HOPEFULLY LESS THAN THE FULL COST OF LIVING.

3. MITCHELL SAID THAT A 5.8 PERCENT INCREASE FOR THE ED'S IS DEFENSIBLE. HE STRESSED THAT UK VIEWS ARE OBJECTIVE. UK ED'S DO NOT RECEIVE THEIR IMF OR IBRD SALARIES BUT RATHER SURRENDER THEM TO H.M. GOVERNMENT AND ARE PAID ON A CIVIL SERVICE LEVEL. MITCHELL SAW THE U.S. IN A "CATCH 22" SITUATION. HE UNDERSTANDS FULLY THE ADMINISTRATION'S DIFFICULTIES WITH THE CONGRESS ON ED AND STAFF SALARIES THE OTHER SIDE OF THE COIN HOWEVER IS THAT MANY OF THE ED'S ARE FROM SMALLER COUNTRIES, THEY COME FROM OR RETURN TO EXTREMELY SENIOR POSITIONS. THE CONTINUING US CAMPAIGN AGAINST IMF AND IBRD SALARIES HAS BEEN DESCRIBED TO MITCHELL BY SOME OF THESE OFFICIALS AS A "CEASELESS VENDETTA" AND EVIDENCE OF THE "PERPETUAL HOSTILITY" OF THE US TOWARDS THESE INSTITUTIONS. MITCHELL STRESSED THESE WERE NOT HIS VIEWS BUT RATHER HE WAS REPEATING "AS A FRIEND" THE VIEWS EXPRESSED TO HIM BY SOME OF THOSE AFFECTED. THE US POSITION STRIKES THEM IN THEIR COLLECTIVE "AMOUR PROPRE."

ARMSTRONG

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